



Agricultural Machinery

Uruguay - September 2005

Summary



Agriculture plays the most important role in Uruguay's economic, political, and social sectors. In 2001, it represented 6% of GDP, 9% in 2002, 12.5% in 2003 and a similar figure in 2004. During the first eight months of 2005, agricultural products represented over 55% of the country's total exports. After reaching a peak of \$113 million in 1998, imports of agricultural equipment plummeted as the country entered into a 5-year long recession. Fueled in part by a severe drought in 2000, an outbreak of Foot and Mouth Disease in 2001, the crash of the Uruguayan banking system in 2002 and a substantial devaluation of the local currency, by 2003 imports had dropped to a low of \$25.4 million. Increase in productivity spurred by technology improvements also contributed to the decline in imports. Notwithstanding, imports grew to \$61 million in 2004 and stand at approximately \$35 million during the first eight months of 2005. Total 2005 imports are expected to reach \$56 million. Uruguay should present reasonable opportunities for U.S. suppliers of agricultural machinery during the next several years, a market in which it has traditionally been the third largest supplier.

Country Overview

Uruguay is a market-oriented economy in which the State still plays a key role. The economy performed well during most of the nineties, but in 1999-2002 underwent its deepest banking and financial crisis in recent history, which was mostly caused by external factors. As a result, per capita GDP fell from \$6,300 in 1998 to about \$3,700 in 2002. After shrinking by 11% in 2002, the economy recovered slightly in 2003 and boomed in 2004 with 12% growth. GDP is expected to grow about 5%-6% in 2005.

Uruguay has diversified its trade in recent years but remains dependent on Argentina and Brazil. It is a founding member of MERCOSUR, the regional trading bloc that includes Argentina, Brazil and Paraguay. The Port of Montevideo, the largest in Uruguay, is set to become an important regional distribution center.

While imports from the United States fell 66% from 1998 through 2003, they grew 33% in 2004 reflecting the robust recovery. The U.S. mostly sells high-tech and capital goods, and enjoys a 10% share of total imports. In 2004, the U.S. became Uruguay's largest single market, as exports boomed with increased meat sales.

The investment climate is generally positive. Investments are allowed without prior authorization, foreign and national investors are treated alike, and there is free remittance of capital and profits.

Highlights in Agricultural Machinery

- Strong demand for used and refurbished machinery.
- Local production of machinery is minimal.
- There are no import taxes for agricultural machinery
- U.S. brands lead the market, yet most equipment is manufactured in Brazil.
- 2004 sales of tractors were double the amount sold in 2003.
- 2004 sales of harvesters were larger than the combined 1999-2003 sales.
- Uruguay is the world's 7th largest rice exporter (the U.S. occupies 4th place.)

Market Overview - Import Statistics

The market for agricultural equipment is virtually 100 percent supplied by imports. During 2003, the main exporters to Uruguay in rank order were: Brazil (40 percent); Argentina (16 percent); U.S. (17.5 percent), Finland and Italy (5 percent each.) In 2004: Brazil (55 percent), Argentina (15 percent), U.S. (11 percent), Spain and Italy (2 percent each.) During the first eight months of 2005, the main exporters to Uruguay were: Brazil (50 percent), Argentina (14 percent), U.S. (11 percent), and Finland (3 percent.)

HTSUS	Description	2003		2004		2005*	
8424	Irrigation Equip & Sprayers:	3,727,359	14.67%	7,792,513	12.81%	3,791,853	10.73%
8432	Soil Preparation / Cultivation:	6,366,705	25.05%	11,639,623	19.13%	5,332,883	15.09%
8433	Harvesting, Threshing & Sorting:	5,648,153	22.22%	17,931,245	29.48%	11,731,266	33.19%
8434	Milking & Dairy:	617,200	2.43%	1,085,429	1.78%	1,038,940	2.94%
8435	Juice Presses and Crushers:	170,917	0.67%	329,091	0.54%	66,980	0.19%
8436	Other Ag., Hort., Poultry, Bee, Forestry:	529,600	2.08%	1,339,242	2.20%	735,185	2.08%
8437	Cleaning, Sorting, Grading:	1,398,636	5.50%	1,410,210	2.32%	1,935,227	5.47%
8701	Tractors:	6,237,129	24.54%	17,889,901	29.41%	9,713,850	27.48%
8716	Trailers & Semi-Trailers:	719,328	2.83%	1,412,415	2.32%	1,002,035	2.83%
Totals US\$		25,415,027	100.00%	60,829,669	100.00%	35,348,219	100.00%

Market Trends

Due to their proximity, Brazil and Argentina are expected to continue their lead of agricultural machinery exports to Uruguay. Notwithstanding, it is U.S. brands manufactured in those countries that are sales leaders in Uruguay. John Deere, Massey-Ferguson and Case/New Holland are market favorites. Uruguayan farmers are becoming more technologically conscious and prefer U.S.-made technology to that of its giant neighbors. The use of high-tech equipment such as GPS and infrared is beginning to catch on among local farmers. Farmers are historically among the hardest hit during economic downturns, and many still carry decade-old debts with the banking sector. Creative and flexible financing terms are a must when selling in Uruguay. The current Government has taken agriculture-related debts seriously and is working hard to find a solution to suit bankers and farmers alike.

Best Prospects *(not in order of importance)*

- Devices for precision agriculture to measure the quantity of seeds, fertilizer or agricultural chemicals required for a given area. Devices to measure volume of harvests, based on yield of seeded area.
- Global Positioning Systems for soil and crop monitoring. Only three to four percent of agricultural producers currently operate such equipment.
- Chutes to discharge harvested grains into different storage devices.
- Advanced turbine sprayers (and associated pumps.)
- Parts and accessories for harvesters and tractors: demand is expected increase in line with increased utilization of machinery.
- Combines and other harvesting equipment: Sales of harvesters in 2004 (110 units) was higher than the combined sales from 1999 through 2003.
- Cultivators and other soil preparation equipment (including plows, harrows, cultivators, seeders, and fertilizer spreaders.)
- Agricultural Tractors: Sales in 2004 more than doubled sales in 2003.
- Used and refurbished machinery with good services will find good prospects if a supplier will ensure reliable services and steady part supplies.
- Greenhouse and other vegetable production equipment.
- Irrigation equipment: increasingly used to improve yields in Uruguay's increasingly unpredictable rainfall.
- Dairy equipment: Uruguay is a major producer of dairy products. In 2004, approximately 3,600 dairy farmers sent 1.3 billion liters of milk to processing plants.
- Storage buildings: silos, etc. U.S. prefabricated, light, inexpensive, farm storage buildings may have a market in Uruguay.

Competition From Other Countries - Market Share

2003	Description	Origin	%	Origin	%	Origin	%	Origin	%	Origin	%	Origin	%
8424	Irrigation Equip & Sprayers:	ARG	30	BRA	19	USA	18	ITA	12	ISR	7	OTH	14
8432	Soil Preparation / Cultivation:	BRA	42	ARG	28	USA	24	CAN	2	SAFR	2	OTH	2
8433	Harvesting, Threshing & Sorting:	BRA	29	FIN	22	USA	18	ARG	10	SPA	8	OTH	13
8434	Milking & Dairy:	DEN	23	ARG	17	FRA	14	ITA	10	GER	9	OTH	27
8435	Juice Presses and Crushers:	FRA	41	ITA	35	SPA	16	ARG	8			OTH	0
8436	Other Ag., Hort., Poultry, Bee, Forestry:	ARG	43	BRA	25	FRA	22	USA	3	SWE	2	OTH	5
8437	Cleaning, Sorting, Grading:	ITA	49	BRA	20	TAIW	18	ARG	9	GER	1	OTH	3
8701	Tractors:	BRA	69	USA	19	JAP	3	BELA	2	UK	2	OTH	5
8716	Trailers & Semi-Trailers:	BRA	71	ARG	17	USA	5	FIN	2	NZL	2	OTH	3

2004	Description	Origin	%	Origin	%	Origin	%	Origin	%	Origin	%	Origin	%
8424	Irrigation Equip & Sprayers:	ARG	35	BRA	18	ITA	11	USA	11	ISR	6	OTH	19
8432	Soil Preparation / Cultivation:	BRA	48	ARG	29	USA	19	CAN	1	ITA	1	OTH	2
8433	Harvesting, Threshing & Sorting:	BRA	56	USA	18	ARG	8	FIN	6	SPA	5	OTH	7
8434	Milking & Dairy:	ARG	42	GER	17	SWE	13	DEN	9	ITA	6	OTH	13
8435	Juice Presses and Crushers:	SPA	55	ITA	20	FRA	15	USA	7	ARG	2	OTH	1
8436	Other Ag., Hort., Poultry, Bee, Forestry:	ARG	41	BRA	26	FRA	11	SPA	5	SWE	4	OTH	13
8437	Cleaning, Sorting, Grading:	BRA	50	TAIW	20	ARG	13	CHIN	8	USA	4	OTH	5
8701	Tractors:	BRA	82	USA	5	UK	3	ARG	2	SWE	2	OTH	6
8716	Trailers & Semi-Trailers:	BRA	69	ARG	21	FRA	7	CHIN	1	UK	1	OTH	1

2005*	Description	Origin	%	Origin	%	Origin	%	Origin	%	Origin	%	Origin	%
8424	Irrigation Equip & Sprayers:	ARG	36	BRA	18	USA	13	ITA	8	UK	5	OTH	20
8432	Soil Preparation / Cultivation:	BRA	37	ARG	34	USA	22	ITA	3	SPA	2	OTH	2
8433	Harvesting, Threshing & Sorting:	BRA	42	USA	18	ARG	9	FIN	7	CHIL	7	OTH	17
8434	Milking & Dairy:	ARG	41	USA	10	HEL	9	CUB	8	GER	7	OTH	25
8435	Juice Presses and Crushers:	ITA	78	ARG	12	FRA	8	SPA	1	BRA	1	OTH	0
8436	Other Ag., Hort., Poultry, Bee, Forestry:	BRA	50	ARG	35	ITA	3	CHIL	3	FRA	2	OTH	7
8437	Cleaning, Sorting, Grading:	BRA	36	UK	17	AUS	13	CHIN	12	TAIW	9	OTH	13
8701	Tractors:	BRA	88	FIN	4	JAP	2	ARG	2	UK	2	OTH	2
8716	Trailers & Semi-Trailers:	BRA	66	ARG	18	CHIL	6	UK	3	CHIN	2	OTH	5

Market Access

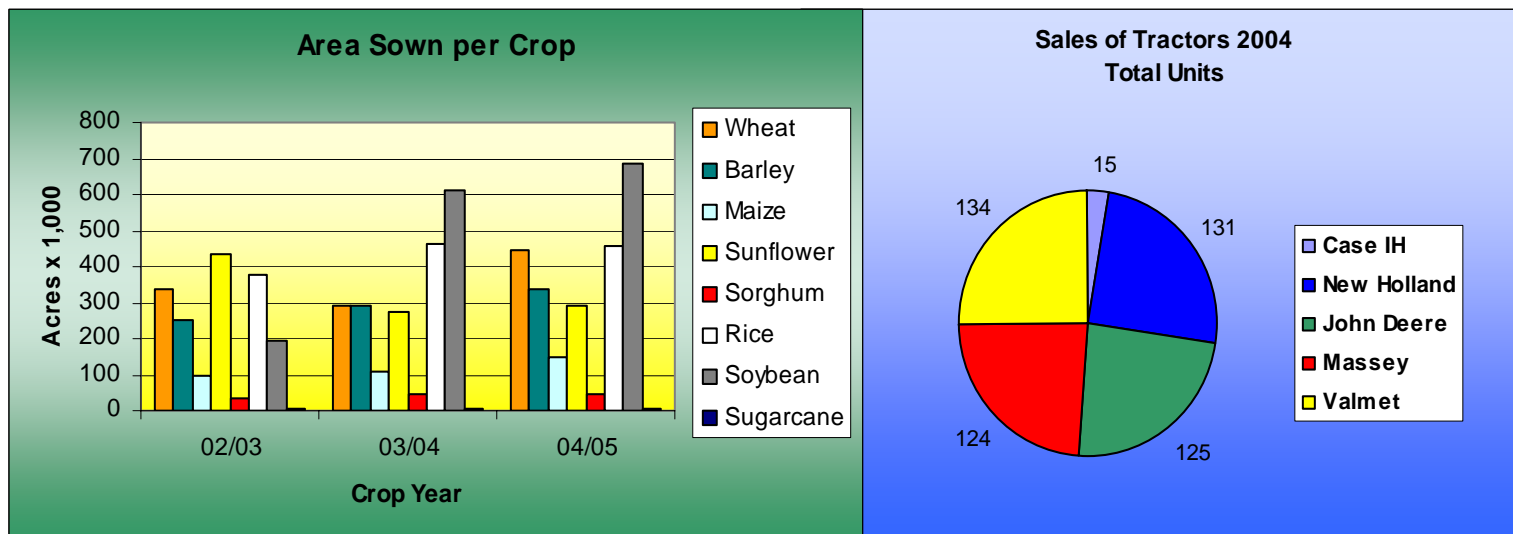
There are no barriers or impediments for the importation of agricultural machinery, equipment and parts into Uruguay. U.S. exporters planning to sell in Uruguay will find a relatively open market. Imports of this type of equipment are tax-free. Uruguay uses the metric system of weight and measures (and to some extent the English system as well.) No special labeling is required.

Financing is a key problem because of the collapse of the old Government structure that provided credit and subsidized the provision of agricultural equipment. Now the government will no longer guarantee agricultural equipment loans. Private banks serving the agricultural sector were devastated by the 2002 crisis and are only now slowly returning to the agricultural sector. As a consequence, most of current transactions are cash.

- All import channels exist -- agents, distributors, importers, trading companies, subsidiaries, and branches of foreign firms. Sales outlets and supermarkets are traditional storefronts. There are no discount general merchandisers.

Market Access (cont.)

- U.S. suppliers should be thorough in their selection of a local agent or representative. The contractual relationship (employer-employee or commission-based) should be made clear. Failure to do so could result in supplier liability for severance if the U.S. company decides to end the business relationship.
- The best strategy recommended to enter the local market is to visit Uruguay, interview potential partners, and name a representative/agent. Business relationships and creative financing terms are very important.
- U.S. exporters are encouraged to take advantage of the export promotion services provided by the Commercial Section in the U.S. Embassy in Montevideo. Please check in <http://www.buyusa.gov/uruguay/en/10.html> for the full list of services provided. Another useful site for U.S. exporters is <http://www.export.gov>.



Trade Shows

There are two major annual agricultural trade shows in Uruguay:

The largest is the Prado International Agro Industrial and Commercial Fair that lasts two weeks and is held at the end of August. Further information on this event can be found at <http://www.expoprado.com>.

Another event that is gaining in popularity, especially among farmers, is the dynamic hands-on agricultural event in Uruguay, ExpoActiva. More information on this event can be found as of late December at <http://www.sorianototal.com>. The event usually takes place in April.

Key Contacts

U.S. Embassy Montevideo: Robert H. Gorter, Senior Commercial Specialist, E-mail: gorterrh@state.gov

Ministry of Agriculture: <http://www.mgap.gub.uy>

Uruguayan Rural Association: <http://www.aru.org.uy>

<http://www.buyusa.gov/uruguay/en>

Sources of Statistics used in this report:

CITRAMA – Association of Importers of Agricultural Machinery

Transaction Data Base (Customs Import Data)

Ministry of Agriculture (Statistics Division)

El Observador – AgroAnuario 04/05

IICA – InterAmerican Institute for Agriculture Cooperation

INE – National Statistics Institute